

Privatized Housing Update

From the Office of the Deputy Under Secretary of Defense (Installations and Environment) and staff reports

Quality housing helps the DoD retain the best personnel for its all-volunteer military force. The proportion of personnel remaining in service from bases with high quality housing is about 15 percent higher than for those stationed at places with low housing quality. Today's service members want to live in communities that offer stability and continuity as a backdrop for deployment, reassignment, and day-to-day life.

At the beginning of the Military Housing Privatization Initiative (MHPI) in 1996, the DoD had an inventory of approximately 257,000 family housing units. Current plans are to privatize roughly 190,000 to 195,000 or about 75 percent of existing family housing units worldwide. However there is no ceiling set on the number of units expected to be built or reconditioned. As of press time, contracts had been awarded to revitalize 186,870 family housing units worldwide, with another 26,005 units pending in 2010 and an additional 2,504 units so far pending through 2013.

Frequently Asked Questions About Privatized Housing

How are privatized housing rents determined? How does the DoD ensure that the privatized housing is affordable for military members?

DoD's policy on housing privatization allows rents to be based on

the Basic Allowance for Housing (BAH) with the estimated cost of utilities included.

What does BAH pay for in privatized housing?

Rent includes refuse collection, water and sewer, common area grounds, and facility care. Depending on the specific provisions of the project documents, electric, gas, and other heating costs may be paid from the member's utility allowance. Also, depending on the specific provisions of the project documents, renter's insurance may be paid by the developer (however, the member is responsible for the payment of any deductible). Rent does not pay for telephone or cable service.

I am currently living in a privatized unit that has yet to be revitalized. Why am I paying the same amount of rent as other similar grade service members who are living in newly constructed units?

Currently the rent for privatized units is solely based on a military member's grade or rank. It is not based on the construction or revitalization status of any particular unit. This was necessary as the program was being developed to better estimate for the developer, and therefore his private sector lender, a monthly cash flow from which to pay the project's mortgage. It is anticipated that, after completion of the privatized project's initial development period and within an

acceptable financial range, rents for privatized housing on a single installation may vary depending on the age, location, and condition of a specific housing unit.

When I get promoted and my BAH goes up, does my rent also go up?

Yes. At the current time, lease payments for privatized housing are based on a member's BAH or BAH, minus a set amount if the member is paying for his own utilities.

Why am I paying directly for my utilities while those in privatized housing on other installations are not?

Eventually all service members living in privatized housing will be responsible for paying directly for their utility consumption. Until the units are individually metered, this is not possible. Under the direct billing program, conservation of utilities can be a financial benefit to the individual member, as they may save money. Overuse of utilities, on the other hand, could result in the member having to pay some utility costs out of pocket.

Why have I been asked to pay a pet deposit when I never before had to pay one to live in housing on an installation?

An analysis revealed that damage caused by pets is having a significant financial impact at some projects. For this reason, some of the military services have modified their pet policy to allow a project owner

to implement pet deposits at projects where pet damages have been substantial and where such deposits would not put the project at a competitive disadvantage. Whether a project owner has the ability to implement pet deposits is specific to each service.

I am currently living in privatized housing. There are civilians also living in our subdivision. Having non-military families living on our base concerns me. How can that happen?

A tenant waterfall policy, enacted by all military services for each privatization project, allows a project owner to rent to non-military families under specific circumstances, such as if the project is below a certain occupancy level for a defined period of time. The policy defines to whom the owner can rent. Each potential non-military tenant is required to have a background check. This waterfall policy is needed to help ensure the financial viability of the project. Those members living in privatized housing who have non-military tenants living next to them are only joining the 65 to 70 percent of the members who are currently living off-base in the local community also next to non-military members.

I have heard that some of the additional tenants that come from the waterfall policy (such as retirees, government employees, civilians) are paying less than the military members. Is this true?

Tenants that rent units through the waterfall policy are required to pay market rent, which normally is higher than what the military member would pay for the same unit.

Under what terms can a military member terminate a lease and vacate the unit? PCS orders only? What if the member chooses to purchase a home in the area? Will the lease restrict these decisions?

Upon moving into privatized housing,

a member will be required to sign a specific term (normally one year) tenant lease. Generally, members may not voluntarily terminate the lease and must reside in the unit until the lease has expired.

However, early termination is permitted under the "military clause" of the tenant lease agreement. A lease agreement may permit early termination for other reasons, specific conditions and procedures will be detailed in the tenant lease agreement, so reading and understanding the lease is essential.

There is a large amount of privatized housing construction occurring on my installation. If I decide to move into privatized housing, will I be required to move more than once?

Although there is a possibility, the government's goal is not to move anyone more than once. Additionally, the project owner is responsible for

paying for any relocation beyond the initial move, so the project owner has a financial incentive to develop a renovation/construction plan that minimizes multiple moves.

Will the base still inspect my privatized housing unit?

The government will not inspect move-ins or move-outs because the government no longer owns the unit. The project owner's property manager is now responsible for this function.

What if I don't like the options provided to me when I am offered privatized housing?

Except for key or mission essential personnel, if a military member does not like what is being provided to them by the developer, then they may choose to live off base in other available private sector housing. ●

For a complete list of frequently asked questions concerning military housing privatization, visit www.acq.osd.mil/housing/faqs.htm